



GROSSMONT-CUYAMACA
COMMUNITY COLLEGE DISTRICT

MEMORANDUM

TO: District Strategic Planning & Budget Council
FROM: Budget Allocation Taskforce
DATE: September 9, 2013
SUBJECT: Recommendations Regarding Unrestricted General Reserve

Revise Unrestricted General Reserve Calculation

Currently, Board Policy (BP) 6200, *Budget Preparation*, (Attachment A) reflects budget development criteria, including the stipulation of an unrestricted general reserve. The policy notes that the reserve shall be no less than five percent of prior year Unrestricted General Fund expenditures. It is proposed that the calculation be changed to be consistent with State practice beginning in the 2013/2014 fiscal year.

Policy 6200 dictates that the Contingency Reserve is based upon prior year Unrestricted General Fund expenditures; however, districts statewide, and the California Community Colleges Chancellor's Office, calculate reserves based on current year budget and routinely adjust through the year. In addition, the ACCJC Fiscal Report and the statewide *Quarterly Financial Status Report* (CCFS-311Q) calculates the reserve on the same basis. The 2012/2013 reserve of 5% is \$4.5 million. The Budget Allocation Taskforce (BAT) has concluded an analysis of the current reserve, and is making two recommendations:

1. **Revise Board Policy (BP) 6200 to base the calculation on the current-year budget.** It has been clear that this calculation is confusing and inconsistent with State and ACCJC policies. Revision of the District's current calculation of the Contingency Reserve would not only follow the statewide practice, it would also provide for greater transparency and understanding during the Accreditation process.
2. **Increase the current reserve level of 5% every year by 0.5% of current year budget until the reserve level equals at least one month of payroll and related benefits** (2012/2013 average total salaries and benefits = \$7.3 million). This proposed plan will take 4 years to build the reserve to the proposed level.

Pmt mydocs/Budget Allocation Taskforce: BAT Recommendations to DSP&BC – UGR 9-9-2013

Vice Chancellor

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